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TO: WIB Chairs
WIB Directors
Single Points of Contact

FROM: Jeffrey L. Golc
Deputy Commissioner
Field Operations/Program Development

DATE: January 8, 2001

SUBJ: DWD Communication 2000-19
Adjustments to Earnings Replacement Rates for High Wage
Dislocations

RE: WIA

Purpose:

To establish the criteria for requesting an adjustment from DWD to the local wage replacement rate. This option is for WIBs choosing to enroll significant numbers of dislocated workers from high wage jobs for which there is little prospect of replacing a significant portion of their pre-layoff earnings.

Rescissions:

None.

Content:

Indiana has recently experienced several large-scale dislocations from high-wage jobs for which there are few opportunities for the workers to replace a substantial portion of their prior earnings. These unique circumstances pose a barrier to program operators who wish to serve these individuals.

The Department of Labor has selected the "earnings replacement rate" as a performance measure for WIA dislocated worker programs. This measure utilizes reported UI quarterly earnings as the measurement tool by which this outcome is to be measured. In instances where employers require overtime to increase inventory in anticipation of impending plant closures, this further increases the employees'

reported pre-program quarterly earnings and makes replacement of a substantial portion of their pre-layoff quarterly earnings even more difficult. The end result (from the program operators' perspective) is that serving these individuals in significant numbers will cause certain failure on this particular DOL measure. It is important that DWD's measurement systems don't serve as barriers to successful service delivery. Rather, they should serve as stimuli to foster positive outcomes.

In response to this challenge, DWD is offering an adjustment to the wage replacement rate for WIBs choosing to enroll these individuals in significant numbers. The criteria for petitioning for an adjustment are:

For substantial dislocations, where hourly wage rates exceed 150% of the median local occupational wage rate, and the WIB enrolls at least 50 of these dislocated workers from a single employer in their WIA dislocated worker program within a 12-month period, the WIB's wage replacement rate standard will be adjusted. Other mitigating circumstances which constitute significant barriers to serving customers and warrant an adjustment will also be considered.

The essence of the adjustment methodology is the WIB's annual target will be adjusted downward for each dislocated worker who meets these criteria and exits in a given year. For these individuals, their target replacement wages will be set at a percentage of the most recent median local occupational wage rate. See the attachment for a overview of how this calculation will be operationalized.

This method essentially sets the target earnings for these high-wage dislocated workers at a portion (using the local earnings replacement rate) of most recent median local occupational wage rate. It is a method which should encourage service to this otherwise difficult to serve population.

Effective Date:

Immediately.

Ending Date:

June 30, 2004.

Action:

WIBs choosing to petition for an adjustment to their WIA Title I dislocated workers earnings replacement rate should submit their written request to:

Patrik I. Madaras, Director of Evaluation
Indiana Dept. of Workforce Development
10 N. Senate Avenue
Indianapolis, IN 46204

Petitions may be submitted at any time (before or after a dislocation has occurred) as long as the request is made before any affected workers from that dislocation have exited from WIA. The petitions should include:

- a) the name of the WIB,
- b) the name of the company,
- c) the date(s) of dislocation,
- d) the average hourly wage rate for the dislocated workers (with documentation),
- e) the most recent median local occupational wage rate (with documentation),
and
- f) the expected number of workers from that company to be enrolled in the
WIB's WIA dislocated worker program with a 12-month period.

The median local occupational wage rate must be of public use quality. Local surveys which meet this criteria are acceptable, as are Occupational Employment Statistics (OES) data published by DWD. Indiana OES data is updated annually and is currently available for Metropolitan Statistical Areas (MSAs) and the balance of the state.

Please address any questions you may have regarding this policy to Patrik Madaras, Director of Evaluation, at 317-232-8537.

Attachment

The following steps convey how DWD will operationalize these local goals. To establish a revised target, DWD will:

- 1) take the total two quarter pre-program wages for the employed exiters not in the high-wage dislocation group (a) and multiply it by the unadjusted local earnings replacement rate to get the expected post-program wages (b) for that group,
- 2) calculate the total two quarter pre-program wages for the employed exiters in the high-wage dislocation group (c),
- 3) multiply the number of individuals in this group by 1040 times the WIB's replacement earnings rate times the local prevailing wage rate. This represents the replacement earnings rate applied to 40 hours per week for the 26 weeks in two quarters times the most recent median local occupational wage rate to generate the anticipated earnings for the six-month post-program measurement period (d), and
- 4) divide the total expected post-program earnings (b + d) by the actual pre-program earnings (a + c) to establish the adjusted expected earnings replacement rate for that WIB for that year. The adjusted target will not be finalized until the cohort for this measure is established (at the end of the program year), but well before the final actual outcomes are calculated.